

Rep. Baird Testifies before Rules Committee on Insider Trading and 72 Hour Proposals [VIDEOLINK](#):

http://www.house.gov/baird/video/Baird_Rules_Committee.wmv (March 30, 2006)

Washington, D.C. - Congressman Brian Baird today testified before a packed room at the House Rules Committee on his Stop Trading on Congressional Knowledge Act or STOCK Act (H.R. 5015) and 72 Hour Resolution (H. Res. 688). The Rules Committee is considering various proposals for inclusion in the Lobbying Accountability and Transparency Act of 2006.

Congressman Baird introduced the STOCK Act on Tuesday with Congresswoman Louise Slaughter (D-NY), Ranking Member of the Rules Committee. The bill seeks to ban insider trading within the Congress, a practice that is currently legal. Congressman Baird's 72 Hour Resolution would ensure greater government transparency and require that legislation be made available online to both Members of Congress and the public for at least 72 hours before a vote.

Congressman Baird's Official Testimony:

I appreciate the opportunity to appear here today in front of the Rules Committee to testify on lobbying reform. I wanted to bring to your attention two pieces of legislation that I have recently introduced. I hope that both of these common sense reform bills will be considered by this Committee and brought to the House floor for prompt consideration.

The first issue that I would like to discuss is insider trading on Capitol Hill. On May 3, 2005, The Hill published an article entitled "K Street Phones Wall Street." The article discussed a practice identified as "political intelligence" in which firms and other entities share information about congressional action with Wall Street investors to be used in trade decisions. As one lobbyist in the article is quoted as saying, the goal is to "deliver information ahead of the news cycle."

The article highlighted a loophole in our law that allows Members of Congress and their staffs, as well as those outside Congress with key contacts or influence in Congress, to trade on nonpublic information. It violates any notion of fairness or common sense that Members of Congress or their staff can legally share nonpublic information about current or upcoming congressional activity with a handful of investors outside of Congress for investment purposes, or can engage in their own trading of securities based on nonpublic information that they obtain by virtue of their position in Congress.

Clearly, the buying or selling of stock based on nonpublic information has the potential to profit some private parties at the expense of others who may not have access to this same information. In addition, I am very concerned that privileging a handful of investors with confidential information about congressional activity is not only a misuse of a congressional office, but also undermines investor confidence in the fairness and integrity of the securities market.

As I have noted, buying or selling stock based on nonpublic information from Congress does not clearly run afoul of

current insider trading laws. For this reason, I joined forces with Ranking Member Slaughter to introduce the Stop Trading on Congressional Knowledge, or S.T.O.C.K. Act, earlier this week to put an end to this troubling practice. Our legislation will:

½ Prohibit members or employees of Congress from buying or selling stocks, bonds, or commodities futures based on nonpublic information they obtain with their status.

½ Prohibit those outside of Congress from buying or selling stocks, bonds, or commodities futures based on nonpublic information obtained from within the Congress.

½ Prohibit members, employees, or persons with nonpublic information from disclosing information about any pending or prospective legislative action if they believe that information will be used to buy or sell stocks, bonds, or commodities futures.

½ Require members of Congress and employees to report the purchase, sale, or exchange of any stock, bond, or commodities future transaction in excess of \$1,000 within 30 days. Members and employees who chose to place their stock holding in blind trusts or mutual funds are exempt from this reporting requirement.

½ Require firms that specialize in ½ political intelligence ½ gathering to register with the House and Senate, much like lobbying firms are now required to do.

Members and staffers should be concerned first and foremost with serving the American people and not with fattening stock portfolios on the taxpayer's dime. Increasingly common midnight votes and last minute earmarks are the perfect recipe for trading abuse; a few select staffers and Members have access to information that could bring a windfall as soon as the markets open.

The second reform bill that I think this Committee should consider is my proposal to impose a 72 hour rule on all legislation considered on the House floor.

In the early hours of the morning on December 19, 2005, we voted on the Defense Authorization Conference Report, the Defense Appropriations Conference Report, and the Budget Reconciliation Conference Report. These three conference reports, totaling hundreds of pages of text and hundreds of billions of dollars, were only available to Member for a few hours before the vote. Since then, we have learned that two of these bills ½ the Defense Authorization bill and the Budget Reconciliation bill ½ contained significant, unintended drafting errors. These late night votes on bills that have come to us on extremely short-term notice are becoming more and more commonplace.

As you know, House Rules currently include a requirement that a bill be made available to Members for three days before it is considered on the House floor. This rule is intended to give Members the time necessary to read and

understand legislation before it comes up for a vote. Unfortunately, this requirement can be waived with a simple majority vote. Over the past few years, the three day rule has been waived on a number of extremely important, complicated and costly provisions including the Medicare Prescription Drug bill. While Members do not agree on every bill, at minimum, we should have the opportunity to read and understand the legislation so that we can consider the impact it would have on our constituents and the country.

I have introduced legislation (H.Res.688) that will strengthen our House Rules and ensure that Members of Congress have ample time to read legislation before a vote. My bill would also ensure that legislation is available to the general public so that those who are impacted by the legislation we pass would have an opportunity to review it and offer their input.

The 72 Hour Rule would allow for the transparency needed to avoid the insertion of questionable earmarks into legislation at the last minute. Specifically, my bill would:

Require that all bills and conference reports be made available to Members of Congress and the general public for 72 hours online before it can be brought to the House floor for a vote.

Require a 2/3 supermajority vote by Members of Congress to waive the 72 hour rule.

Repeal the last six days provision in current House Rules, which provides that the opportunity to read conference reports is automatically waived in the last six days of a congressional session. The existence of the last six days rule creates the expectation that anything goes at the end of the session, which is when the worst abuses occur.

Protect the current exceptions to the three day rule, including declarations of war or national emergency, resolutions reported out of the House Rules Committee providing a rule, joint rule or order of business, and resolutions presenting a question of the privileges of the House reported by any committee. The resolution also specifies that it should not be interpreted to require or permit the declassification or posting on the Internet of classified information.

Our votes have consequences. We owe it to both our constituents and this institution to know what we are voting for or against.

In closing, I thank you for the opportunity to testify and urge you to consider these two reform proposals. I would be happy to answer any questions or provide any additional information on these proposals to the Committee.

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